No. 93-290

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

SNYDER INDUSTRIES, INC.,

Petitioner,

v.

THE HEIL COMPANY,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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REPLY BRIEF FOR PETITIONER

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Respondent The Heil Corporation ("Heil") seeks in its Opposition ("Opp.") to avoid the question presented, rather than confront it. We explained in our Petition that the Federal Circuit's decision below altered the way the Board of Patent Appeals and Interferences conducts its business, by imposing a judicially-created exclusionary rule on the Board prohibiting it from looking to the record to determine reduction to practice, a critical issue in establishing the priority of inventions. We noted the adverse consequences this new rule will have for the patent system, and also explained how the imposition of such

a rule—not mandated by Congress—was contrary to this Court's teachings on the proper relationship between a reviewing court and an administrative agency.[1]

1. Heil does not argue that the Federal Circuit has the authority to impose such a rule on the Board. Indeed, Heil does not even cite, much less distinguish, the cases we rely upon in establishing that the Federal Circuit intruded upon the proper realm of the agency in setting out its new exclusionary rule. *See* Pet. at 22-25 (discussing *Chevron U.S.A., Inc.* v. *Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984), and *Vermont Yankee Nuclear Power Corp.* v. *Natural Resources Defense Council, Inc.*, 435 U.S. 519 (1978)).

Instead, Heil contends that the Federal Circuit did not establish a new rule inconsistent with the Board's approach. A simple comparison of the Court of Appeals and Board decisions in this case refutes Heil's contention. The Board concluded that "[c]learly, the subject invention was designed to ultimately serve as a refuse container (JPR-7, 9; SPR 178-179)." Pet. App. 36a. "JPR" and "SPR" are citations to *record testimony*. *See* Pet. App. 34a n.3. The Federal Circuit, however, refused to look to the record, *id.* at 3a, and therefore reached a different conclusion on intended use and reduction to practice. *Id.* at 3a-4a. The ap-

[1] The notation that the decision below was unpublished was omitted by the printer pursuant to its usual practice. Nonetheless, petitioner informed the Court that the decision below was not reported. *See* Pet. at 1. Contrary to Heil's suggestion, that fact is no impediment to review by this Court. *See, e.g., United States* v. *Edge Broadcasting*, 113 S. Ct. 2696 (1993) (reversing unpublished court of appeals opinion).

proaches are plainly different, and—as here—lead to different results in actual cases.

2. Heil also argues that the question presented is not actually posed in this case, because the issue is what to do if intended use is not specified in the count, and here use as "a container" was specified. The argument proves too much. A container is what the invention is, not what it will be used for. If such a generic description is taken as a specification of intended use, then intended use will cease to be relevant in proving reduction to practice. *See* Pet. at 17. Heil itself argued below that the count did *not* specify an intended use. *See* Pet. App. 19a ("The plaintiff [Heil] asserts that * * * the Interference Count does not specify an intended use * * *"), 20a ("Heil correctly asserts that the count does not specify any particular intended use"). It cannot now try to argue the opposite—that the count actually *did* specify an intended use—in an effort to limit the significance of the decision below.

Contrary to Heil's suggestion, the issue in this case is not one of count construction, as to which the Federal Circuit simply differed with the Board and the district court. The issue is instead what materials may be consulted in determining intended use. That question is in no sense fact-specific.

3. Significantly, Heil has no answer to our point that the decision below will lead to intolerable inconsistencies in the patent system. As we explained, Pet. at 21-22, the decision below will mean that rulings on patent validity will come out differently depending on whether they arise in an interference proceeding (where counts are involved) or in infringement actions

(where they are not). This Court should not tolerate such an irrational result.

Heil also asserts that the fact that this case arose under 35 U.S.C. § 146 is of critical moment, and hints darkly that this fact was not featured prominently enough in our Petition. Opp. at 14. We noted that the action was under Section 146 in the first line of our jurisdiction statement, Pet. at 2, cited the Section more often than any other statutory provision, *id.* at v, and quoted it twice. *Id.* at 15 n.5, 21. In any event, the fact that the action reached the Federal Circuit on review of a district court decision challenging a Board ruling rather than on direct review of a Board ruling under 35 U.S.C. § 141 (*see* Pet. at 14) makes no difference whatever to the proper limits of judicial and agency authority. Surely Heil—already embracing an approach that can lead to inconsistent results in interference proceedings and infringement actions—is not suggesting that there should also be different results depending on whether review of a Board decision in an interference case is under Section 141 or 146.

4. Heil's assertion that the question presented is waived because it was not raised below, Opp. at 9, is readily answered. We stated in the "Question Presented" that the appropriate approach was to "look[] to the entire record * * * to determine the intended use of the invention," and asked whether the Federal Circuit erred in concluding that "consideration of intended use is instead limited to a description of the item * * * composed by the Office itself [*i.e.*, the count]." Pet. at i. The Federal Circuit expressly noted in its decision that "Snyder * * * asserts that when a count does not state for what purpose an invention

will be used, 'the courts look to the record' to determine the intended use." Pet. App. at 3a. The question presented was plainly raised and pressed below.

5. Heil also alleges that we inaccurately represented the facts. Heil is wrong. With respect to the first claimed inaccuracy (Opp. at 6), there is no inconsistency at all between the portion of the Petition quoted by Heil and Heil's version of the facts. With respect to the second claimed inaccuracy (Opp. at 6-7), any apparent inconsistency derives solely from Heil's use of bobtailed quotations taken out of context from the Petition.[2] Third, Heil objects to our statement, supported by citation to the statute, that Congress has given the Board responsibility to determine the priority of inventions. Opp. at 7. Heil notes that the issue also arises in judicial proceedings, but that fact certainly does not undermine Congress' recognition that the Board is the expert agency to which

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[2] For example, we did not assert simply that the Federal Circuit ignored Snyder's patent, as Heil represents. Opp. at 6. Instead, we explained that the court below found the patent invalid and

> did so *by confining its consideration of intended use* to the count and ignoring Heil's patent application, Snyder's patent, the entire record developed before the Board and the district court, and the explicit factual findings of the Board and the district court to the effect that the intended practical utility of the invention was not as a general purpose container but rather as a refuse container suitable for use with automated refuse collection equipment. [Pet. at 8 (emphasis added).]

The point—plain from the foregoing—is that the legal rule announced by the Federal Circuit required ignoring Snyder's patent, in addition to any evidence other than the count itself.

the courts owe deference in construing and applying the patent laws. *See* Pet. at 22-23. Finally, Heil chooses to label as a factual misrepresentation a legal argument about the consequences of the Federal Circuit's new rule. Opp. at 8-9. Heil contends that the court's ruling will not change any Board practice, but the Board—whose decision was reversed because it followed its practice of looking to the record to determine whether the invention was reduced to practice for its intended use, *see* Pet. App. 36a-37a—will plainly not be able to follow that course in the future.

6. Finally, Heil argues that looking to the entire record would not be good policy. *See* Opp. at 11-13. For reasons set forth in our Petition, *see* Pet. at 16-22, we disagree. But neither respondent nor petitioner has been vested by Congress with responsibility for administering the system of patent interferences. By statute, 35 U.S.C. § 135(a), that is the responsibility of the Board of Patent Appeals and Interferences, and the Board has determined that the entire record should be considered in deciding the applicable intended use for determining reduction to practice. *See, e.g.*, Pet. App. 36a-37a (citing record). The question is whether the Federal Circuit—in the absence of congressional authorization—may overturn that judgment. As explained in the Petition, this Court's cases make clear that federal courts reviewing agency action have no such roving authority. *See* Pet. at 22-26.

* * * *

For the foregoing reasons, and those stated in the Petition, this Court should grant the Petition and reverse the decision below.

Respectfully submitted,

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